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RUEHCV/AMEMBASSY CARACAS 0989  
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RUEHMN/AMEMBASSY MONTEVIDEO 5932  
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RUEHFR/AMEMBASSY PARIS 1149  
RUEHQH/AMEMBASSY QUITO 0783  
RUEHSG/AMEMBASSY SANTIAGO 5338  
RUEHSO/AMCONSUL SAO PAULO 3023  
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E.O. 12958: DECL: 11/14/2016

TAGS: EFIN ECON ENRG EINV BEXP AR

SUBJECT: PLANNING MINISTER DE VIDO CALLS FOR CLOSER  
DIALOGUE AND MORE U.S. INVESTMENT DURING AMBASSADOR'S  
COURTESY CALL

REF: BUENOS AIRES 2542

Classified By: Ambassador E.A. Wayne for Reasons 1.4 (b,d)

Summary

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¶1. (C) Argentina's powerful Planning Minister, Julio De Vido, urged the Ambassador November 14 to use their direct relationship as the means to resolve bilateral economic issues. De Vido emphasized the importance of U.S. investment and said he anticipates a number of large U.S. energy sector investments, which he later announced to the press as "four billion of new U.S. FDI." The Ambassador agreed U.S. companies were doing well, and would invest even more if assured a stable and predictable long-term environment. De Vido recommended the Ambassador host sector meetings with U.S. companies and himself, as forums to share information and solve problems. De Vido said he is working to alleviate the impact of the GoA's decision to revoke tax exempt status on U.S. oil company Apache's Tierra del Fuego exploration assets. The Ambassador strongly urged De Vido to support the U.S. (ATSC) standard for digital television. De Vido refused to guarantee GoA support, but promised an objective decision making process. He commented that the President had taken a courageous stand on pushing the AMIA case, and would quickly decide whether to fire Housing Secretary Luis D'Elia over his public support for Iran (Reftel). End Summary.

Ambassador's Courtesy Call on Minister De Vido

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¶2. (C) Argentina's most powerful cabinet Minister and President Kirchner's right-hand man, Julio De Vido, Minister of Federal Planning, Public Investment, and Services, highlighted the good and improving bilateral relationship during the Ambassador's November 14 courtesy call. De Vido acknowledged that the U.S. and Argentina have had their differences, but the key was to maintain dialogue and resolve issues before they became public. He urged the Ambassador to consider their direct relationship as the best means to resolve bilateral economic issues, particularly related to U.S. company interests in Argentina.

¶3. (C) De Vido commented that the Argentine press was known for exaggeration of the facts, stating that "where there weren't problems, the press would invent them." The Ambassador responded that he had already been the target of Argentine press hyperbole, and agreed that the joint goal should be to highlight opportunities in public and talk privately to find solutions to existing problems.

De Vido Emphasizes Importance of U.S. Investment

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¶4. (C) While acknowledging that many U.S. (and other foreign) companies had concerns about some GoA policies, De Vido stated that the GoA expected several large U.S. investments in the near future, particularly from Duke Energy, AES, Apache Corporation, and Cargill. (Note: Following the meeting, De Vido announced to the press that he and the Ambassador had discussed U.S. investments of "three to four billion over the next two years." End Note).

¶5. (C) De Vido recommended the Ambassador resume the past Embassy practice of hosting sector meetings with U.S. companies and GoA officials, using them as forums to share information and resolve problems. Referring to the Ambassador's November 9 meeting with the AmCham Executive Board, De Vido recognized that the Ambassador would want direct interaction with U.S. companies, but noted that it was "important for all of us to be there, because the press distorts the message," as happened with the AmCham meeting. He claimed meetings with all parties "kept the relationships fresh and dynamic" and avoided misunderstandings.

¶6. (C) The Ambassador commented that, contrary to press reports, the reality was that AmCham board members had not filled the meeting with complaints (septel). Many U.S. companies were doing well, earning solid profits in the growing Argentine economic environment, but he noted they would likely invest even more if assured a more predictable investment climate, particularly relative to Argentina's competitors for FDI. The Ambassador noted that the local subsidiaries of large U.S. companies faced a competitive battle with sister-subsidiaries in other countries to convince their headquarters to make large, long-term investments. Therefore, while many U.S. companies already on the ground in Argentina were making incremental investments, they needed to be able to demonstrate opportunities within a stable and predictable long-term environment.

Searching for Solution to Apache's Problems

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¶7. (C) In response to the Ambassador's question, De Vido said he was working to ameliorate the adverse impact of the GoA's abrupt decision to revoke tax exempt status for oil and gas exploration and development in Argentina's Tierra del Fuego Province on Apache Corporation's recent sizable investment in that remote province. (Note: Apache purchased these assets for roughly \$800 million from Pioneer Energy and Pan American Energy from April to September 2006. Apache considered the assets particularly attractive given GoA income tax and oil/gas export tax exemptions in place to promote investment in this difficult environment. However, in October 2006, the

GoA issued revoked the exemption, retroactively. End Note).

¶ 8. (C) De Vido commented that he likes Apache because it is "small and aggressive and doesn't have time to waste." However, he was distressed that Apache did not inform him in advance of the deal with Pan American, and, rather, learned about it from news reports. He suggested that he could have warned them about the GoA's impending decision to change the tax exempt status. Regardless, helping Apache is a priority, given the importance of the investment for Argentina's energy sector, and De Vido is searching for alternative ways to make it a viable investment. (Comment: De Vido has a particular interest in helping Apache, given his frequent promotion of Apache as exactly the new kind of investor the GoA wants for the oil and gas sector, and it is unlikely he would want the changed regulations to impede or undermine their operations. End Comment).

#### Ambassador Urges GoA Support for ATSC Digital TV Standard

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¶ 9. (C) The Ambassador said he understood that one of De Vido's priorities was to decide which standard to implement for digital television. He strongly urged De Vido to support the U.S. (ATSC) standard, arguing it was the best technology platform for the broadcast industry and would provide the best cost/benefit package for Argentine consumers. De Vido said he had discussed the U.S. option numerous times with USG officials, including Commerce Secretary Gutierrez. He had created a commission that was consulting with private sector representatives to review the competing options, and commented that there were "many factors to take into account." De Vido was not in a position to guarantee GoA support for the ATSC standard, but promised an objective decision making process. (Note: European Embassies have increased their diplomatic pressure on the GoA to support the European standard, and European companies Philips, Nokia, Telefonica, Telecom and Siemens will demonstrate the European technology to President Kirchner on November 16. The Ambassador, Commercial Counselor, and local ATSC representative will hold a press briefing November 16 to explain to the press and public the strengths of the U.S. standard in advance of Argentina's impending decision. End Note.)

#### Kirchner Fires D'Elia over Support for Iran

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¶ 10. (C) The Ambassador inquired about news reports of the President's anger at Secretary for Habitat and Housing Luis D'Elia, over D'Elia's public support for Iran and criticism of the AMIA court case (see reftel for detail). De Vido responded that the President had taken a courageous position in moving forward with the AMIA case and would not tolerate dissent on the subject from within his administration. He added that Kirchner's government would move forward resolutely with the case, and this could possibly require the resignation of D'Elia for expressing differences in public. He concluded that the decision would come soon. (Note: Press reports on November 15 confirm the President has accepted D'Elia's resignation. End Note.)

#### Comment

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¶ 11. (C) Post will take De Vido up on his offer to serve as a conduit for resolving issues, given that De Vido covers the critical energy, communications, and mining sectors, and also given his close ties to the President. (Note: he has been Kirchner's closest advisor since the early 1990s, when he served in high-level positions in the Santa Cruz Province government when Kirchner was Governor. End Note.) Nevertheless, we recognize that De Vido is the force behind many of problems U.S. and other foreign investors are dealing with. Investors strongest complaints, especially the energy sector players, are related to the impact of regulated tariffs, price controls, export tariffs, and other constraints, and De Vido's man in the Economic Ministry,

Secretary of Internal Trade Guillermo Moreno, is charged with

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implementing these policies. It is also ironic, following De Vido's criticism of the press, that his subsequent statements

to the media exaggerated the substance of the meeting, particularly by overstating the Ambassador's praise of the economy and U.S. investor interest in Argentina, while avoiding mention of the Ambassador's statements that improved regulatory and policy predictability would result in more and larger-scale investment. End Comment.

WAYNE